

Notice of Allowability

Application No.

09/883,001

Examiner

Timothy M. Harbeck

Applicant(s)

SUGAHARA, JAMES TAKESHI

Art Unit

3692

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address--

All claims being allowable, PROSECUTION ON THE MERITS IS (OR REMAINS) CLOSED in this application. If not included herewith (or previously mailed), a Notice of Allowance (PTOL-85) or other appropriate communication will be mailed in due course. **THIS NOTICE OF ALLOWABILITY IS NOT A GRANT OF PATENT RIGHTS.** This application is subject to withdrawal from issue at the initiative of the Office or upon petition by the applicant. See 37 CFR 1.313 and MPEP 1308.

1. ☒ This communication is responsive to 11/14/2006.
2. ☒ The allowed claim(s) is/are 1-5 and 7-13.
3. ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some* c) ☐ None of the:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

* Certified copies not received: _____.

Applicant has THREE MONTHS FROM THE "MAILING DATE" of this communication to file a reply complying with the requirements noted below. Failure to timely comply will result in ABANDONMENT of this application.
THIS THREE-MONTH PERIOD IS NOT EXTENDABLE.

4. ☐ A SUBSTITUTE OATH OR DECLARATION must be submitted. Note the attached EXAMINER'S AMENDMENT or NOTICE OF INFORMAL PATENT APPLICATION (PTO-152) which gives reason(s) why the oath or declaration is deficient.
5. ☐ CORRECTED DRAWINGS (as "replacement sheets") must be submitted.
- (a) ☐ including changes required by the Notice of Draftsperson's Patent Drawing Review (PTO-948) attached
- 1) ☐ hereto or 2) ☐ to Paper No./Mail Date _____.
- (b) ☐ including changes required by the attached Examiner's Amendment / Comment or in the Office action of Paper No./Mail Date _____.
- Identifying indicia such as the application number (see 37 CFR 1.84(c)) should be written on the drawings in the front (not the back) of each sheet. Replacement sheet(s) should be labeled as such in the header according to 37 CFR 1.121(d).
6. ☐ DEPOSIT OF and/or INFORMATION about the deposit of BIOLOGICAL MATERIAL must be submitted. Note the attached Examiner's comment regarding REQUIREMENT FOR THE DEPOSIT OF BIOLOGICAL MATERIAL.

Attachment(s)

1. ☒ Notice of References Cited (PTO-892)
2. ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3. ☐ Information Disclosure Statements (PTO/SB/08),
Paper No./Mail Date _____
4. ☐ Examiner's Comment Regarding Requirement for Deposit
of Biological Material
5. ☐ Notice of Informal Patent Application
6. ☐ Interview Summary (PTO-413),
Paper No./Mail Date _____
7. ☐ Examiner's Amendment/Comment
8. ☒ Examiner's Statement of Reasons for Allowance
9. ☐ Other _____

DETAILED ACTION

Allowable Subject Matter

Claims 1-5 and 7-13 are allowed.

The following is an examiner's statement of reasons for allowance: the prior art fails to teach or suggest the limitations of the independent claim.

Independent claim 1 recites a method for structuring a transaction, comprising:

- Selling a security into a market by a first party at a predetermined time;
- Paying interest by the first party to a second party;
- Paying a dividend equivalent by the second party to the first party;
- Periodically marking the security sold by the first party to market;
- Arranging an agreement between the second party and a third party, wherein the agreement provides, to the third party, short exposure to the security based upon the sale of the security by the first party;
- Wherein the dividend equivalent equals at least part of the value of a dividend paid on the security sold by the first party

The prior art discloses the general use of synthetic instruments that provide equivalent cash flows for particular investment positions. These create exposure to the movement of share prices without actually buying the shares. However, while the prior art discloses this general use, and the gaining and losing of capital gain cash flows from these positions, the structure of the present invention is not disclosed. Specifically the cash flows not related to the marked to market aspect of the CFD, including the

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transferring of interest and the dividend equivalents between the parties on opposite sides of the transaction.

The closest prior art is:

Sperandeo (US 6,922,677 B1) discloses a multi-asset participation structured note and swap combination. This instrument creates a market exposure indexed to a benchmark selected by the investor's portfolio needs and objectives. While this instrument provides a 'synthetic' position per se, it is still a purchased position in a particular instrument. The present invention requires the 'investor' to initially divest his interest in the security to create a purely synthetic position. In addition the objective of creating short exposure for one entity is not disclosed, nor is the payment of interest and dividend equivalents.

May discloses the general use of synthetic investments, including the manufacturing of instruments using 'financial engineering to create economically equivalent cash flows.' May continues that these instruments can further be structured utilizing debt, equity, forwards, options and swaps, but does not disclose or suggest the specific structure of the present invention, including the synthetic short position and total cash flow structure.

Paustian discloses a particular hedging strategy for pension fund accounts that creates a synthetic short position by purchasing a put option and selling a call option at the same strike price. No mention is made though of cash flows from the dividend of the security, nor the initial divesting of the security.

Greenleaf discloses the general use of synthetic investments as a 'new net position created as the result of two or more real positions in a market' for hedging purposes. However, unlike the present invention, this strategy does require the investor to take a 'real position' in a market as opposed to a purely synthetic one.

Winnett discloses the use of contracts for differences as a way of 'gaining or losing from share price movements without actually buying the shares.' However, while this transaction is synthetic, only the change in share price appears to affect the contract (marked to market price). No mention of dividend equivalents, interest or rebate cash flows appear.

It appears that the references, alone or in combination do not teach, suggest or disclose the present invention in its entirety. Specifically, none of the references show the steps of paying interest by the first party to a second party; paying a dividend equivalent by the second party to the first party and; wherein the dividend equivalent equals at least part of the value of a dividend paid on the security sold by the first party.

Any comments considered necessary by applicant must be submitted no later than the payment of the issue fee and, to avoid processing delays, should preferably accompany the issue fee. Such submissions should be clearly labeled "Comments on Statement of Reasons for Allowance."

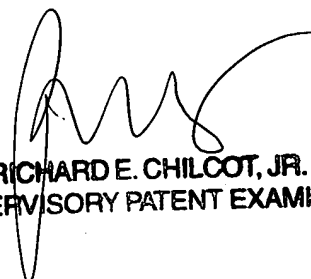
Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

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If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Richard Chilcot can be reached on 571-272-6777. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.



RICHARD E. CHILCOT, JR.
SUPERVISORY PATENT EXAMINER